

The bank was granted by law a ten years' extension of time within which to collect its credits and settle its debts, and debtors were expected to pay their indebtedness in quarterly instalments during the ten years. The money had originally been borrowed upon a specie basis, but was to be paid back in paper. Even these payments were not made, and in August, 1894, the bank agreed to accept fifty per cent, of the amounts due. Many debtors paid under this condition, but the demand for money drove up the interest rates so sharply that others were prevented from making payment within the three months allowed.¹ The affairs of the bank were put in process of liquidation through a syndicate.

The Bank of Paraguay and the River Plate (*Banco Paraguay y de la Plata*) was founded with a capital of \$8,000,000 in Paraguayan money, worth at the time of its foundation in 1889 about 66½ cents to the dollar in gold, but now worth about ten cents. The government subscribed one-quarter of the capital through a bond for \$400,000 negotiated at six per cent., and receives five per cent, of the profits of the Bank of Paraguay in compensation for the privileges of the charter. Exchange fluctuated violently during the revolution of 1904, the rate for \$100 in gold advancing from \$875 in paper at the beginning of the year to \$1400 on November 15th, three months after the outbreak of the revolution. Two days after the ratification of peace (December 8, 1904) the rate dropped to \$40.^a

An effort was made in 1907 to restore sound conditions by the creation of a new state bank with an authorized capital of \$20,000,000 gold, of which \$6,000,000 was to be issued at once, one-third being subscribed by the government. The bank was accorded by the law of December 24, 1907, most of the privileges of a central bank of issue. The note issue was required to be covered by gold to the amount of one-third. The rate of conversion for the paper, which amounted

¹ Letter of Vice-Consul Eben M. Flagg,
Comptroller's Report,

*95*92.

* Report of U. S. Vice-Consul de Korab, *Consular Reports*, June 13, 1905, 15.